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SUBJECT: OPEC-Funded Biofuels Study Sparks Controversy at
Multinational IIASA

REF: Vienna 363

1. (SBU) SUMMARY: A recent study on "Biofuels and Food Security" -- commissioned by the Vienna-based OPEC Fund for International Development (OFID) and prepared by researchers at the multinational Institute of Applied Systems Analysis (IIASA) -- has sparked controversy in the energy community. IIASA leadership temporarily suspended the study's lead researchers in June because the study was not authorized before publication and because an abbreviated version presented by OFID contained "scientific flaws." While the study's conclusions are not new (it finds that rapidly expanding first-generation biofuels production can threaten food security), the project's close links to OPEC may have struck a nerve for some at IIASA (which receives support from a number the USG and other governments). OFID and OPEC leadership continue to trumpet the study, most recent at the multinational "Vienna Energy Conference" in late June. END SUMMARY.

Background on IIASA

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2. (U) IIASA was formed in 1972 as venue for collaboration among Western and Soviet-bloc scientists on global issues such as energy, the environment, and health. Located outside Vienna, IIASA has transcended its original function as an East-West bridge and become one of the world's leading institutes for modeling complex socio-economic phenomena such as food/energy production and their effects on land use and emissions. Though IIASA is governed as an international body, the Austrian government is a strong supporter and sees the institute as part of Austria's scientific landscape. The USG has funded IIASA since 1992 (after a break in funding from 1983-1991). The U.S. is IIASA's largest single contributor and provides 24 percent of its official government support (2008) -- member state donations represent little over half (52%) of IIASA's operating income.

Panning First-Generation Bio-Fuels

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3. (U) As a cartel of oil producers, OPEC has consistently campaigned against biofuels production as unsustainable and bad for the world's poor. Presumably to back those claims, OPEC's development arm OFID funded a "seminal study" of the effects of bio-fuels production to be carried out by IIASA. The study finds that further increasing first-generation biofuels production would:

- exacerbate hunger,
- increase food prices,
- increase competition for arable land,
- fueling deforestation,
- threaten biodiversity,
- have minimal impact on greenhouse gas emissions, and
- bring only "modest benefits" for rural development.

The study finds that first-generation biofuels harm food security in the developing world, promote deforestation and habitat loss, and won't deliver significant greenhouse gas mitigation for at least 30 years. The study does find substantial potential for

second-generation biofuels to bolster energy security and rural development without harming the world's poor consumers or the environment.

14. (U) NOTE: "Biofuels and Food Security" is described at www.ofid.org/images/frontpage/TopStories/biofuels.pdf
A 44-page overview is available at www.ofid.org/publications/SpecialPublications.aspx

15. (U) The study has now triggered a clash between the IIASA administration and two of the study's authors, energy expert Guenther Fischer and food expert Mahendra Shah (both employed by IIASA). According to press reports, IIASA director Detlof von Winterfeldt did not approve the 44-page overview (cited above) published by OFID in March, prior to the study's official rollout May 6 on the sidelines of the UN Commission on Sustainable Development session 17 (CSD-17) in New York. Winterfeldt is quoted as saying that the study had "scientific flaws which could have been avoided if the researchers had observed IIASA rules."

16. (SBU) Winterfeldt apparently ordered Fischer and Shah not to attend the study's rollout on May 6, but the authors went ahead (Mr. Shah sat on the panel with OPEC representatives). As a consequence, IIASA suspended its contracts with Shah and Fischer. In an open letter, the researchers protested against such disciplinary measures, accusing IIASA of "censuring" their work and "bullying" them. Since then, the IIASA administration has agreed to mediation in the case: Shah and Fischer remain on the payroll and may use IIASA facilities until proceedings are complete.

17. (U) This OFID study is not the first time an IIASA study has criticized the effects of biofuels production. In May 2008, for

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instance, Shah and Fischer came to similar conclusions in a study ("Food Security and Sustainable Agriculture: the Challenges of Climate Change in Sub-Saharan Africa") carried out for the FAO and Austrian government. Shah was quoted at the time saying that "the absurd biofuel policy has contributed to the doubling of staple food prices in the last two years ... in many developing countries over 70% of the household budget is for food."

18. (SBU) An IIASA-approved full version of the latest biofuels study was circulated at the Vienna International Energy Conference in June. (COMMENT: that major conference was part of Austria's unsuccessful bid to host the headquarters for the nascent International Renewable Energy Agency/IRENA -- END COMMENT). At the conference, an OPEC official (OFID Secretary General Jasir Al-Herbish, formerly of the Saudi oil ministry) cited the IIASA study as evidence that biofuels are unsustainable and bad for the developing world -- but Brazilian Energy Vice-Minister Andr Amado responded by vigorously defending sugar cane as an appropriate first-generation biofuel. Unlike at an OPEC conference in Vienna in March (reftel), at the June event OPEC's anti-biofuels stance appeared to have only tepid support among developing country representatives.

COMMENT
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19. Media attention to the controversy over OPEC funding for the biofuels study at IIASA has been limited, and IIASA's official position itself is not entirely clear (von Winterfeldt criticized OFID versions of the study, but the full version contains a foreword by him). IIASA has unique capacities to model the socio-economic dimensions of climate and energy regulation -- it claims "unique (capacity) to provide scientific leadership on very complex policy issues" (Winterfeldt). The current controversy is unlikely to permanently tarnish IIASA's strong reputation -- but illustrates OPEC's continued determination to seek allies on biofuels and other regulatory issues affecting long-term oil producer interests.

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